GOVERNMENT OF INDIA
MICRO,SMALL AND MEDIUM ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:1155
ANSWERED ON:02.05.2016
Incentives to Startups
Panda Shri Baijayant "Jay"

Will the Minister of MICRO,SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether the Government proposes to provide financial incentives for Startup companies in the country;

(b) if so the details thereof and if not, the reasons therefor;

(c) whether there is any institutionalized platform for Government − Startup collaboration; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF
MICRO, SMALL AND MEDIUM ENTERPRISES
(SHRI GIRIRAJ SINGH)

(a)&(b): Yes Madam, in order to provide funding supports to Startup companies in the country, Government proposes to set up a fund of funds with a total corpus of Rs. 10,000 crore over a period of 4 years (i.e. Rs. 2,500 crore per year). The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the Capital of SEBI registered Venture Funds.

To promote the growth of Startups and address their working capital requirement, Government has proposed that profit of Startups will be exempted from tax for a period of three years. The exemption shall be available, subject to non-distribution of dividend by the Startup.

To encourage seed capital investment in Startups, Government has proposed that investment by Venture Capital Fund in a Startup will be exempted from tax on investment above Fair Market Value.

Government has proposed Credit Guarantee Fund through National Credit Guarantee Trust Company − SIDBI with a budgetary corpus of Rs. 500 crore per year for the next four years.

(c)&(d): Government has proposed several collaborative platforms for promoting Startups in the country like building innovation centres at National Institutes, setting up incubators for harnessing private sector expertise, organizing Startup fests for showcasing innovation and launching of Atal Innovation Mission with Self Employment and Talent Utilization Programme for promoting world class innovation hubs, etc.